

SM
**MADSEN
RED LAKE GOLD
MINES,**

L I M I T E D

**ANNUAL REPORT
1970**

directors

PAUL H. McCLOSKEY, M.C., B.Sc. <i>Mining Executive</i>	Toronto
HOWARD S. ROBINSON, B.S., E.M. <i>Mine Consultant</i>	Chicago
HUGH H. MACKAY <i>Vice-President of PITFIELD, MACKAY, ROSS & COMPANY LIMITED, Stockbrokers</i>	Rothsay, N.B.
FOSTER W. HEWITT <i>Radio Executive, President of RADIO STATION CKFH</i>	Toronto
DONALD W. FALCONER, Q.C. <i>Solicitor and Partner in HOLDEN, MURDOCH, WALTON, FINLAY, ROBINSON.</i>	Toronto

officers

PAUL H. McCLOSKEY, M.C., B.Sc., <i>President</i>	Toronto
HOWARD S. ROBINSON, B.S., E.M., <i>Vice-President</i>	Chicago
M. MASTERSON, <i>Secretary-Treasurer</i>	Toronto
F. A. INNES, B.Sc., P.Eng. (Ont.), <i>Mine Manager</i>	Madsen

ANNUAL MEETING OF SHAREHOLDERS

Monday, May 10th, 1971, 11:00 o'clock in the forenoon
(Toronto Time), Hunting Room —
King Edward Sheraton Hotel,
37 King Street East, Toronto, Canada.

REPORT OF THE DIRECTORS

To The Shareholders

Your Directors submit the Thirty-Fifth Annual Report for the year ended December 31st, 1970, including a review of operations by the Mine Manager, Mr. F. A. Innes, and the Auditors' Financial Statement.

OPERATING RESULTS

Results were disappointing for the year. The Company's loss was due to the lower grade ore mined from the old part of the mine and the mining difficulties encountered in the development of the No. 8 zone. Progress was much slower than expected due to poor ground conditions in this zone and as a result, the anticipated number of ounces did not materialize. Confronted with the possibility of considerably lower income, cost cutting measures were instituted in mid-year, which included a reduction of the work force, termination of the Company's pension plan and a reduction in the mill rate to 425 tons per day. This situation is reflected in the lower production figures of 40,569 ounces from the milling of 184,530 tons in contrast to 60,579 ounces from the milling of 238,473 tons in 1969. Average grade of ore was \$8.10 per ton compared with \$9.66 in the previous year.

Bullion revenue totalled \$1,494,250.97 compared with \$2,302,950.62 in 1969. Due to the floating dollar policy of the Federal Government, the Company incurred a loss of revenue amounting to approximately \$49,000.00. The Company received the maximum in Cost Aid which is \$10.27 per ounce. In 1970 the receipts were \$416,600.00 from this source compared to \$622,000.00 in 1969. The Emergency Gold Mining Assistance Act was extended for a period of two and one-half years, i.e. from January 1st, 1971, to June 30th, 1973.

Taking into consideration interest and other income, operating loss was \$314,493.44 compared with the operating profit of \$414,925.30 in the previous year. Non-operating revenue was \$58,371.14 against \$136,157.95 in 1969. The cost of shares in another mining company was written down by \$7,918.12 and this deduction is included in the item of \$58,371.14.

After making provision for depreciation, net loss was \$411,122.79 or 12 cents per share against a net profit of \$305,465.59 or 9 cents per share in the previous year.

Stope development of the No. 8 zone was advanced with slow but steady progress since mid-1970, giving rise to confidence in our mining method. Regular mining on the 24th level No. 8 zone is expected to begin by mid-1971. Ground conditions are not expected to improve but hopefully the experience gained so far will be useful in meeting further anticipated problems.

FINANCIAL RESULTS

Working capital at December 31st amounted to \$2,097,545.96, a decrease of \$568,187.77 during the year. The details of this change are shown in the Statement of Source and Application of Funds included with the Financial Statement.

Depreciation charges on buildings and equipment were taken at the rate of 20 per cent which is unchanged from last year.

Expenditures for fixed assets were \$49,350.15 in contrast to \$36,371.63 in 1969.

The ten-year Financial Summary is appended to this report.

ORE RESERVE AND DEVELOPMENT

After milling 183,400 tons, grade 0.236 oz. per ton, during the year, the Ore Reserve totalled

245,050 tons, grade 0.272 oz. per ton. This compared with 328,000 tons grading 0.279 ounces at December 31st, 1969.

An increase of 10,000 tons has been added to the reserves for the No. 8 zone because of the drilling on the 23rd level which has indicated 10,000 tons grading 0.35 ounces per ton, from the 23rd level to a vertical height of 70 feet above the 23rd level.

OTHER INTERESTS

BAFFINLAND IRON MINES LIMITED — Your Company has a 19.93% interest — 671,459 shares. Previous drilling indicated 123,500,000 tons of 68.13% iron. This project remained dormant during the year but more interest has been generated as a result of the successful voyage of the 115,000-ton carrier Manhattan in 1969 through the North West Passage. Updating of the feasibility study completed in 1965 is underway and is scheduled for completion in 1971.

POTASH — SASKATCHEWAN — Your Company has an equity of 77.5%. This project remained dormant during the year. Previous drilling outlined an estimated 303,203,250 tons of 27.25% K_2O equivalent. Muriate of potash (KCL) is a common commercial form of potash used as a fertilizer. The potash industry is plagued with the problem of over-supply. This condition is expected to continue for an undetermined length of time. The future of the property is uncertain.

NASS RIVER MINES LIMITED — Your Company has a 49.3% interest. The company remained dormant during the year. This company is in the process of dissolution.

AVA GOLD MINING COMPANY LIMITED — Your Company has a 48.7% interest — 860,300 shares. This company holds 19 patented claims in the Red Lake area, Ontario, and remained dormant during the year.

EXTENSION OF E.G.M.A.

While the Emergency Gold Mining Assistance Act has been extended for a period of two and one-half years, a second extension for an additional two and one-half years to December 31st, 1975, will be considered by the Government of Canada "if suitable adjustment programmes for the Gold Mining communities involved could be developed in cooperation with the Provincial Governments, the communities, the companies and the unions concerned. The Government of Canada will be approaching the provinces and the communities involved with the suggestion that joint efforts be commenced at the earliest possible time."

POWER AND ASSESSMENT

The Ontario Government has implemented a change in taxation by assessing all concentrators and smelters for municipal taxes. The considerable increases in total assessments have placed a severe tax burden on many mines, especially those in a lower profit or loss operating position.

In addition, the Ontario Hydro has increased its rate for electric power by approximately 8%, representing an increased cost of \$12,000.00 to the Company.

If this trend continues by the Government, it can result only in the gradual erosion of earnings and destroy the incentive of bringing new properties into production.

OUTSIDE EXPLORATION

Outside exploration expenditures totalled \$91,148.03 compared to \$108,581.03 in the year 1969.

ONTARIO — GOLD

A deep test by diamond drilling of the favourable tuff band on the Nova-Co Exploration ground in Heyson Township, Red Lake area, intersected only low gold values and as a result, the option has been terminated.

ONTARIO — COPPER

Five diamond drill holes were drilled on the 30-claim Black Beaver Lake copper prospect in the North Spirit Lake area, to test several strong electromagnetic anomalies revealed by the surveys in 1969. Assaying of the core returned nothing of economic importance and the claims will be allowed to lapse.

Linecutting, followed by electromagnetic surveying, was carried out on the 50-claim Lake-O group at the southwest end of Sturgeon Lake, about 10 miles west of the Mattagami Lake discovery. Several anomalous areas were indicated and further detail surveying, using horizontal loop equipment, is planned for early 1971.

Five claims, covering a copper showing in Fairlie Township, Red Lake area, were optioned in January 1970. An additional 32 contiguous claims were staked around this Pine Group and magnetic and electromagnetic surveys carried out on the 37 claims. Sixteen claims were also staked to protect the extensions of the anomalies indicated by the surveys. A diamond drill test of one of these anomalies was not completed due to poor ice conditions. An agreement has been reached with Silvermaque Mining Limited whereby Silvermaque is committed to drill one hole on the Pine Group and has the right to acquire a 49% interest in Madsen's interest in the group by the expenditure of \$22,000.00, including the cost of the initial hole.

GENERAL

Mr. F. A. Innes, formerly the Company's Outside Exploration Manager, was appointed Mine Manager, to replace Mr. K. R. North who resigned July 15th, 1970. The Directors wish to acknowledge their appreciation of the services of Mr. A. A. McCloskey, Mine Consultant, Mr. L. H. Van Loon, Assistant Mine Manager, both of whom retired during the year, and Mr. K. R. North. Mr. Van Loon was employed by the Company continuously since June 1938.

The Directors take this opportunity to express appreciation to all the employees for their loyal and efficient services rendered to the Company during a very difficult year.

GOLD

The western world's monetary climate has again deteriorated. No cures have been implemented. The regular and annual money crisis, as has occurred every year since the devaluation of the pound in 1967, is again imminent. Confidence in the U.S. dollar is clearly becoming weaker. The attempt to curb inflation has resulted in massive unemployment. Attempts to reduce unemployment by way of increasing the money supply and reducing interest rates are again inflationary. This all relates to money. The future in the near term is uncertain. Over the longer term, in the absence of a dramatic turnaround in the U.S. balance of payments, a U.S. dollar devaluation will be a logical development. A devaluation of the U.S. dollar would be, in fact, an increase in the price of gold.

An increase in demand for gold in the Industrials and Arts field has added to the optimism for an increase in the price, particularly in the free market.

Respectfully submitted on behalf of the Board,

P. H. McCLOSKEY,
President.

Toronto, Ontario,
April 1st, 1971.

REPORT OF THE MINE MANAGER

The President and Directors,
Madsen Red Lake Gold Mines, Limited,
1110 - 55 Yonge Street,
Toronto 1, Ontario.

Dear Sirs:

The Thirty-Fifth Annual Report, covering the operations for the year ended December 31st, 1970, is submitted for your consideration.

PRODUCTION

The following figures show the production for 1970 and comparable figures for 1969.

	1970	1969
Ounces of Gold	40,569.063	60,579.378
Ounces of Silver	7,514.41	10,133.04
Gross Value of Bullion	\$ 1,494,250.97	\$ 2,302,950.62
Average Price Gold/oz.	\$ 36.487	\$ 37.70
Average Price Silver/oz.	\$ 1.86	\$ 1.91

Under the provisions of the Emergency Gold Mining Assistance Act, it is estimated that the Company is entitled to receive \$416,600.00 or \$10.27 per ounce compared to \$622,000.00 or \$10.27 per ounce in 1969.

OPERATING COSTS

	1970			1969		
Tons Milled	184,530			238,473		
Ounces Produced	40,569.063			60,579.378		
	1970			1969		
	Total Cost	Per Ton Milled	Per Ounce	Total Cost	Per Ton Milled	Per Ounce
Property Exploration	\$ 51,992.46	\$ 0.282	\$ 1.281	\$ 32,632.77	\$ 0.137	\$ 0.539
Mine Development	216,305.27	1.172	5.332	322,199.28	1.352	5.318
Mining	989,520.65	5.362	24.391	1,172,853.19	4.918	19.361
Crushing and Conveying	66,646.68	0.361	1.643	68,799.82	0.288	1.136
Milling	350,232.77	1.898	8.633	370,609.79	1.554	6.118
General Expense	235,572.02	1.277	5.807	224,243.81	0.940	3.701
Employee Benefits	289,482.87	1.569	7.135	357,490.29	1.499	5.901
Administration Expenses	74,591.18	0.404	1.838	84,590.98	0.355	1.396
Marketing Charges	9,371.65	0.051	0.231	12,763.34	0.054	0.210
	\$ 2,283,715.55	\$ 12.376	\$ 56.291	\$ 2,646,183.27	\$ 11.097	\$ 43.680
Deduct: Estimated E.G.M.A.	416,600.00	2.258	10.269	622,000.00	2.608	10.267
Net Operating Cost	\$ 1,867,115.55	\$ 10.118	\$ 46.022	\$ 2,024,183.27	\$ 8.489	\$ 33.413

MINE DEVELOPMENT

The following table shows the total footage of development work completed during the year 1970, with comparable footages for 1969, 1968 and total to date:

	<u>1970</u>	<u>1969</u>	<u>1968</u>	<u>Total to Date</u>
Shaft Sinking and Station Cutting	—	—	—	5,462
Crosscutting	1,178	1,661	1,146	38,251
Drifting	899	1,432	1,876	182,163
Raising	578	771	1,608	76,328
Diamond Drilling (Contract)	19,632	23,813	36,736	1,985,340
Diamond Drilling (Packsack)	10,723	10,945	27,486	316,763
Surface Drilling (Contract)	3,344	nil	1,807	187,191
Draw Points	nil	8	10	522
Ramps	223	—	—	223

The footages of lateral development and raising completed during the year are shown by levels in the following table:

<u>Level</u>	<u>Crosscutting</u>	<u>Drifting</u>	<u>Raising</u>	<u>Ramps</u>
8	—	183	—	—
14	—	139	175	—
16	—	48	—	—
17	—	—	42	—
18	—	—	44	—
22	614	—	—	—
23	181	56	74	—
24	88	473	243	223
25	295	—	—	—
Total	<u>1,178</u>	<u>899</u>	<u>578</u>	<u>223</u>

The development and exploration costs amounted to \$268,297.73 in 1970, a decrease from \$354,832.05 in 1969.

Ore Zone Number Eight

22nd Level Crosscut

The 22nd level crosscut was advanced 614 feet during the year to a point about 500 feet south of the projected position of the No. 8 ore zone at the 22nd level. Two diamond drill holes from the face failed to intersect ore and drilling here was stopped in July.

23rd Level Crosscut

The 23rd level crosscut was advanced 181 feet into the footwall of the No. 8 ore zone. Diamond drilling was carried out from this crosscut and from short drifts driven east and west at the end of the crosscut.

This drilling, to date, has indicated 10,000 tons grading 0.35 ounces per ton from the 23rd level to a vertical height of 70 feet above the 23rd level.

25th Level Crosscut

This crosscut was driven 295 feet to a position about 600 feet south of the projected position of the No. 8 ore zone. Development here was stopped in June.

24th Level

Stope development is in progress on the 24th level and stoping operations are expected to begin in March, 1971. A total of 9,834 tons grading 0.392 ounces per ton was produced from stope development work in 1970.

MINING

Stoping operations were carried out from the seventh to the twenty-fourth level, inclusive, with 46% of the mill feed tonnage coming from above the 2,650-foot horizon or 17th level.

As part of a cost-cutting program put into effect at mid-year, the rate of production was reduced to 425 tons per day.

SOURCE OF ORE DELIVERED TO MILL

Ore Zone Number	Tons	*Grade	% Total Ounces
1	38,683	0.319 oz/ton	28.44
2	48,192	0.192	21.33
3	37,620	0.180	15.63
4	17,105	0.288	11.38
6	—	—	—
7	31,966	0.194	14.33
8	9,834	0.392	8.89
Total	183,400	0.236	100.00

*Grade adjusted to coincide with calculated mill heads.

Broken ore drawn from old workings amounted to 12% of the total drawn with a grade of 0.198 ounces per ton.

BACKFILL

The deslimed mill tailings placed as backfill amounted to 61,695 tons for a total of 1,949,600 tons to date.

ORE RESERVES

The estimated ore reserves as at December 31st, 1970, and comparable figures for last year are shown in the following table:

	December 31, 1970			December 31, 1969		
	Tons	Grade	Ounces	Tons	Grade	Ounces
Surface to 11th level	6,865	0.20	1,424	7,000	0.207	1,449
11th level to 17th level	78,856	0.23	18,288	162,000	0.291	47,142
17th level to 23rd level	99,329	0.26	25,996	109,000	0.234	25,506
23rd level, #8 zone	10,000	0.35	3,500			
23rd level to 24th level, # 8 zone	50,000	0.35	17,500	50,000	0.350	17,500
Total Reserves	245,050	0.272	66,708	328,000	0.279	91,597

The broken ore remaining in cut and fill stopes, which is not included in the above reserve figures, amounted to 6,800 tons at the end of the year.

Ore mined during the year, which was not included in the reserve figure at the end of 1969, and broken ore drawn from old workings amounted to a total of 77,178 tons.

MILLING

The milling data for the current year, the two previous years and the total since the commencement of milling operations are shown in the following table:

		<u>Year</u>		Aug. 11, 1938 to Dec. 31, 1970
	<u>1970</u>	<u>1969</u>	<u>1968</u>	
Dry Tons Treated	184,530	238,473	265,268	7,639,624
Percentage Operating Time of Total Time	82.22	83.26	91.19	93.86
Tons Treated per Calendar Day	505.56	653.35	724.78	645.73
Average Gold Assay Heads, Troy Ounces	0.23695	0.2740	0.23255	0.30960
Average Gold Assay Tails, Troy Ounces	0.01607	0.02004	0.02070	0.01980
Percentage Recovery	93.19	92.69	91.10	93.60

With the curtailment of production at mid year, the "A" and "B" units of the mill operated intermittently while the "B" unit was being overhauled. On August 10th, the "A" unit was shut down and the "B" unit operated continuously throughout the balance of the year.

BUILDINGS, MACHINERY AND EQUIPMENT

The total expenditures for Buildings, Machinery and Equipment amounted to \$49,350.15 as follows:

Underground — EIMCO 911 Loader	\$26,003.65
— CAVO 310 Loader	14,046.50
Houses (2)	9,300.00
	<u>\$49,350.15</u>

GENERAL

A wage increase of fifteen cents per hour became effective on August 1st under an agreement with United Steelworkers of America. Wage increases under this agreement will cost the Company \$180,000.00 over a two-year period.

Under legislation enacted by the Provincial Government in 1970, all concentrators and smelters became subject to municipal taxation. As a result, our assessments for 1970 were increased by \$416,000.00 and the local school taxes by approximately \$14,000.00. These new assessments are being appealed.

Ontario Hydro has increased its rates for power supplied to the mine by about 8%, effective January 1971. The Company has been informed also by the Hydro that it will be unable to supply the power required to operate our more efficient electric boiler.

There were 196 full time employees on the payroll at the end of December.

There were 137 hirings and 206 separations during the year compared with 224 hirings and 219 separations during 1969.

CONCLUSION

The support of the President and Board of Directors, appreciation of the efficient work of the Staff and co-operation of the employees are gratefully acknowledged.

Yours very truly,

Madsen, Ontario,
February 4, 1971.

F. A. INNES, P.Eng. (Ont.),
Mine Manager.

BALANCE SHEET

as at December 31, 1970

ASSETS

CURRENT

	1970	1969
Cash	\$ 218,772.26	\$ 270,026.48
Short term notes	821,006.93	1,125,197.86
Bullion in transit	76,384.78	125,962.06
Accounts receivable	127,317.51	176,659.11
Gold assistance receivable	200,329.37	202,650.58
Special refundable tax		1,565.06
Marketable securities — at cost	392,781.02	484,635.95
(Market value 1970 — \$305,899.50 1969 — \$397,123.93)		
Materials and supplies — at cost	409,031.95	472,595.13
Prepaid expense	24,415.16	29,623.53
	<u>2,270,038.98</u>	<u>2,888,915.76</u>

DEPOSIT WITH PROVINCE OF SASKATCHEWAN	1,000.00	1,000.00
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SHARES IN OTHER MINING COMPANIES — AT COST

Other mining companies	176,163.22	176,163.22
Baffinland Iron Mines Limited — 671,459 shares	567,283.25	549,937.25
	<u>743,446.47</u>	<u>726,100.47</u>

PROPERTY, PLANT AND EQUIPMENT — AT COST

Buildings, machinery and equipment	6,004,702.43	5,974,931.40
Less: Accumulated depreciation	5,618,185.04	5,537,092.58
	386,517.39	437,838.82
Mining property — Red Lake	1,667,211.71	1,667,211.71
	<u>2,053,729.10</u>	<u>2,105,050.53</u>

OTHER MINING PROPERTIES

Mining claims — at cost	29,151.95	20,858.55
Deferred exploration expenditure	300,751.33	296,768.77
	329,903.28	317,627.32
	<u>\$ 5,398,117.83</u>	<u>\$ 6,038,694.08</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 1970

1. The aggregate direct remuneration paid to directors and senior officers of the Company was \$74,730.04 in 1970 and \$94,915.36 in 1969.
2. By Supplementary Letters Patent dated April 24, 1970 the Company increased its authorized capital stock from 3,500,000 shares to 5,500,000 shares by the creation of an additional 2,000,000 shares of \$1.00 par value each.
3. By an agreement dated March 25, 1970 the Company has granted options to officers of the Company on 50,000 shares of capital stock at \$1.07 exercisable on or before March 24, 1973.

MADSEN RED LAKE GOLD MINES, LIMITED

(Incorporated under the laws of Ontario)

LIABILITIES

CURRENT

	1970	1969
Accounts payable and accrued charges	\$ 140,465.84	\$ 181,582.94
Wages payable	32,027.18	41,599.09
	<u>172,493.02</u>	<u>223,182.03</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK

Authorized

5,500,000 shares of \$1.00 each

Issued and fully paid

3,499,528 shares 3,499,528.00 3,499,528.00

Less: Discount on shares 1,390,160.50 1,390,160.50

2,109,367.50 2,109,367.50

RETAINED EARNINGS 3,116,257.31 3,706,143.55

5,225,624.81 5,815,511.05

Approved by the Board:

P. H. McCloskey, Director.

D. W. Falconer, Director.

\$ 5,398,117.83 \$ 6,038,693.08

AUDITORS' REPORT

To the Shareholders,
Madsen Red Lake Gold Mines, Limited.

We have examined the balance sheet of Madsen Red Lake Gold Mines, Limited as at December 31, 1970 and the statements of retained earnings, earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company, as at December 31, 1970 and the results of its operations and the source and application of its funds for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario,
February 26, 1971.

GLENDINNING, JARRETT, GOULD & CO.,
Chartered Accountants.

MADSEN RED LAKE GOLD MINES, LIMITED

STATEMENT OF EARNINGS

Year ended December 31, 1970

	1970	1969
Bullion Production		
Gold	\$ 1,480,250.96	\$ 2,283,619.98
Silver	14,000.01	19,330.64
	1,494,250.97	2,302,950.62
Less: Marketing charges	9,371.65	12,763.34
	<u>1,484,879.32</u>	<u>2,290,187.28</u>
Operating and Administration Costs		
Mining	989,520.65	1,172,853.19
Crushing and milling	416,879.45	439,409.61
Mine development	268,297.73	354,832.05
Employee benefits	289,482.87	357,490.29
Management and general expense at the property	235,572.02	224,243.81
Head office expense	74,591.18	84,590.98
	2,274,343.90	2,633,419.93
Less: Estimated gold assistance	416,600.00	622,000.00
	<u>1,857,743.90</u>	<u>2,011,419.93</u>
Operating profit (loss)	(372,864.58)	278,767.35
Interest and Other Income — Net	58,371.14	136,157.95
	(314,493.44)	414,925.30
Depreciation	96,629.35	109,459.71
Net Earnings (Loss) for the Year	<u>\$ (411,122.79)</u>	<u>\$ 305,465.59</u>
Net Earnings (Loss) Per Share	<u>\$ (.117)</u>	<u>\$.087</u>

STATEMENT OF RETAINED EARNINGS

Year ended December 31, 1970

	1970	1969
Balance, beginning of the year	\$ 3,706,143.55	\$ 3,487,752.41
Net earnings for the year		305,465.59
Adjustment of prior years' expenses	5,094.46	125.22
	5,094.46	305,590.81
	<u>3,711,238.01</u>	<u>3,793,343.22</u>
Dividend paid, #48	104,985.84	
Net loss for the year	411,122.79	
Acquisition costs and exploration expenditures on mining claims abandoned	78,872.07	87,199.67
	<u>594,980.70</u>	<u>87,199.67</u>
Balance, end of the year	<u>\$ 3,116,257.31</u>	<u>\$ 3,706,143.55</u>

MADSEN RED LAKE GOLD MINES, LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended December 31, 1970

Source	1970	1969
From operations		
Net earnings for the year	\$	\$ 305,465.59
Add: Depreciation		109,459.71
		414,925.30
Proceeds from sale of equipment	3,112.50	2,660.86
Prior years' adjustments	6,024.19	380.09
	9,136.69	417,966.25
Application		
To operations		
Net loss for the year	411,122.79	
Less: Depreciation	96,629.35	
	314,493.44	
Dividend paid	104,985.84	
Additions to buildings and equipment	49,350.15	36,371.63
Outside exploration	91,148.03	108,581.03
Purchase of shares in Baffinland Iron Mines	17,347.00	
	577,324.46	144,952.66
Increase (Decrease) in Working Capital	(568,187.77)	273,013.59
Working Capital, Beginning of the Year	2,665,733.73	2,392,720.14
Working Capital, End of the Year	\$ 2,097,545.96	\$ 2,665,733.73

DISTRIBUTION OF GROSS INCOME

Year ended December 31, 1970

Gross Income	1970	1969
Bullion	\$ 1,494,250.97	\$ 2,302,950.62
Interest and other income — net	58,371.14	136,157.95
Estimated gold assistance	416,600.00	622,000.00
	\$ 1,969,222.11	\$ 3,061,108.57
Distribution		
Materials, supplies and general operating expenses	\$ 596,625.83	\$ 680,588.60
Salaries and wages	1,265,799.41	1,461,025.67
Hydro electric power	130,933.63	146,078.13
Workmen's compensation and silicosis insurance	119,072.83	149,287.16
Holidays with pay and unemployment insurance	72,658.38	78,783.36
Pension, group insurance and medical expense	60,609.34	79,622.43
Boarding house and employees' travel expense	38,016.13	50,797.92
Depreciation	96,629.35	109,459.71
Net earnings (loss) for the year	(411,122.79)	305,465.59
	\$ 1,969,222.11	\$ 3,061,108.57

Our Ten Year

	1938-1970	1970	1969	1968
Ounces of gold produced	2,234,021.175	40,569.063	60,579.378	56,196.21
Tons of ore milled	7,639,624	184,530	238,473	265,268
Recovery value per tons milled	\$ 10.49	\$ 8.10	\$ 9.66	\$ 8.08
Average price of gold per ounce	\$ 35.67	\$ 36.49	\$ 37.70	\$ 37.70
Income from gold and silver	\$ 80,098,103.07	\$ 1,494,250.97	\$ 2,302,950.62	\$ 2,141,924.67
Operating and marketing costs	\$ 60,834,184.98	\$ 2,283,715.55	\$ 2,645,183.27	\$ 2,699,063.09
Operating profit	\$ 16,980,202.54	\$ (789,464.58)	\$ (342,232.65)	\$ (557,138.42)
Sundry income	\$ 1,023,236.28	\$ 58,371.14	\$ 136,157.95	\$ 69,762.03
Emergency gold mining assistance	\$ 7,478,300.00	\$ 416,600.00	\$ 622,000.00	\$ 577,400.00
Provision for taxes	\$ 3,955,719.99		—	—
Provision for depreciation	\$ 5,739,367.63	\$ 96,629.35	\$ 109,459.71	\$ 128,460.63
Net earnings	\$ 14,950,300.52	\$ (411,122.79)	\$ 305,465.59	\$ (38,437.02)
Net earnings per ton	\$ 1.96	\$ (2.23)	\$ 1.28	\$ (.14)
Net earnings per share	\$ 4.27	\$ (.12)	\$.09	\$ (.03)
Cash profits less net capital expenditure	\$ 12,959,713.00	\$ (451,879.12)	\$ 269,972.64	\$ 29,755.34
Dividends paid	\$ 10,444,891.08	\$ 104,985.84	—	—
Dividends paid per share	\$ 2.985	\$.03	—	—
Percentage of dividends paid to cash profits less net capital expendi- ture	\$ 80.59		—	—
Additions to fixed assets	\$ 6,004,702.43	\$ 49,350.15	\$ 36,371.63	\$ 15,783.10
AT END OF YEAR:				
Fixed assets at cost	\$ 6,004,702.43	\$ 6,004,702.43	\$ 5,974,931.40	\$ 5,974,856.80
Fixed assets less accumulated depreciation	\$ 386,517.39	\$ 386,517.39	\$ 437,838.82	\$ 513,842.63
Working capital	\$ 2,097,545.96	\$ 2,097,545.96	\$ 2,665,733.73	\$ 2,392,720.14
Number of employees	196	196	270	262

LAKE GOLD MINES LIMITED

Operating Story

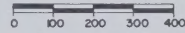
1967	1966	1965	1964	1963	1962	1961
70,032.531	69,999.031	87,632.198	94,868.822	107,130.856	100,877.831	106,096.338
277,566	246,505	292,681	305,823	306,247	311,705	301,031
\$ 9.60	\$ 10.78	\$ 11.36	\$ 11.78	\$ 13.28	\$ 12.17	\$ 12.57
\$ 37.77	\$ 37.73	\$ 37.73	\$ 37.75	\$ 37.75	\$ 37.42	\$ 35.52
\$ 2,665,637.73	\$ 2,657,165.51	\$ 3,326,452.29	\$ 3,603,396.77	\$ 4,067,473.77	\$ 3,794,610.80	\$ 3,784,106.81
\$ 2,731,293.97	\$ 2,656,484.09	\$ 2,981,326.38	\$ 3,388,586.47	\$ 3,423,769.72	\$ 3,465,624.84	\$ 3,401,069.55
\$ (65,656.24)	\$ 681.42	\$ 345,125.91	\$ 214,810.30	\$ 643,704.05	\$ 328,985.96	\$ 383,037.26
\$ 82,915.96	\$ 60,752.87	\$ 37,349.46	\$ 53,515.64	\$ 45,980.74	\$ 51,481.97	\$ 41,808.47
\$ 630,000.00	\$ 625,000.00	\$ 585,000.00	\$ 695,000.00	\$ 454,000.00	\$ 685,000.00	\$ 590,000.00
\$ 17,000.00	\$ 65,000.00	\$ 86,500.00	\$ 147,500.00	\$ 212,000.00	\$ 178,500.00	\$ 128,700.00
\$ 156,829.65	\$ 180,025.92	\$ 202,098.68	\$ 222,488.06	\$ 247,703.41	\$ 229,047.69	\$ 236,473.65
\$ 473,430.07	\$ 441,408.37	\$ 678,876.69	\$ 593,337.88	\$ 683,981.38	\$ 657,920.24	\$ 649,672.08
\$ 1.70	\$ 1.79	\$ 2.32	\$ 1.94	\$ 2.23	\$ 2.11	\$ 2.16
\$.14	\$.13	\$.19	\$.17	\$.20	\$.19	\$.19
\$ (76,020.27)	\$ 447,161.85	\$ 696,200.34	\$ 684,994.72	\$ 579,219.65	\$ 639,998.22	\$ 622,599.96
\$ 349,952.80	—	\$ 262,464.60	\$ 524,929.20	\$ 524,929.20	\$ 524,929.20	\$ 524,929.20
\$.10	—	\$.075	\$.15	\$.15	\$.15	\$.15
—	—	\$ 37.78	\$ 76.63	\$ 82.02	\$ 82.02	\$ 84.31
\$ 63,398.63	\$ 80,476.00	\$ 112,695.29	\$ 121,586.66	\$ 319,729.06	\$ 189,490.06	\$ 172,343.80
\$ 5,934,518.47	\$ 5,870,830.43	\$ 5,790,354.43	\$ 5,677,659.14	\$ 5,556,072.48	\$ 5,236,343.42	\$ 5,046,853.36
\$ 627,326.60	\$ 720,103.71	\$ 808,794.71	\$ 889,952.23	\$ 990,813.63	\$ 916,190.77	\$ 945,894.59
\$ 2,325,952.24	\$ 2,401,972.51	\$ 1,954,810.66	\$ 2,119,844.67	\$ 1,972,424.57	\$ 1,942,145.86	\$ 1,864,076.84
296	296	348	365	424	425	427



MADSEN RED LAKE GOLD MINES LTD.
MADSEN ONT.

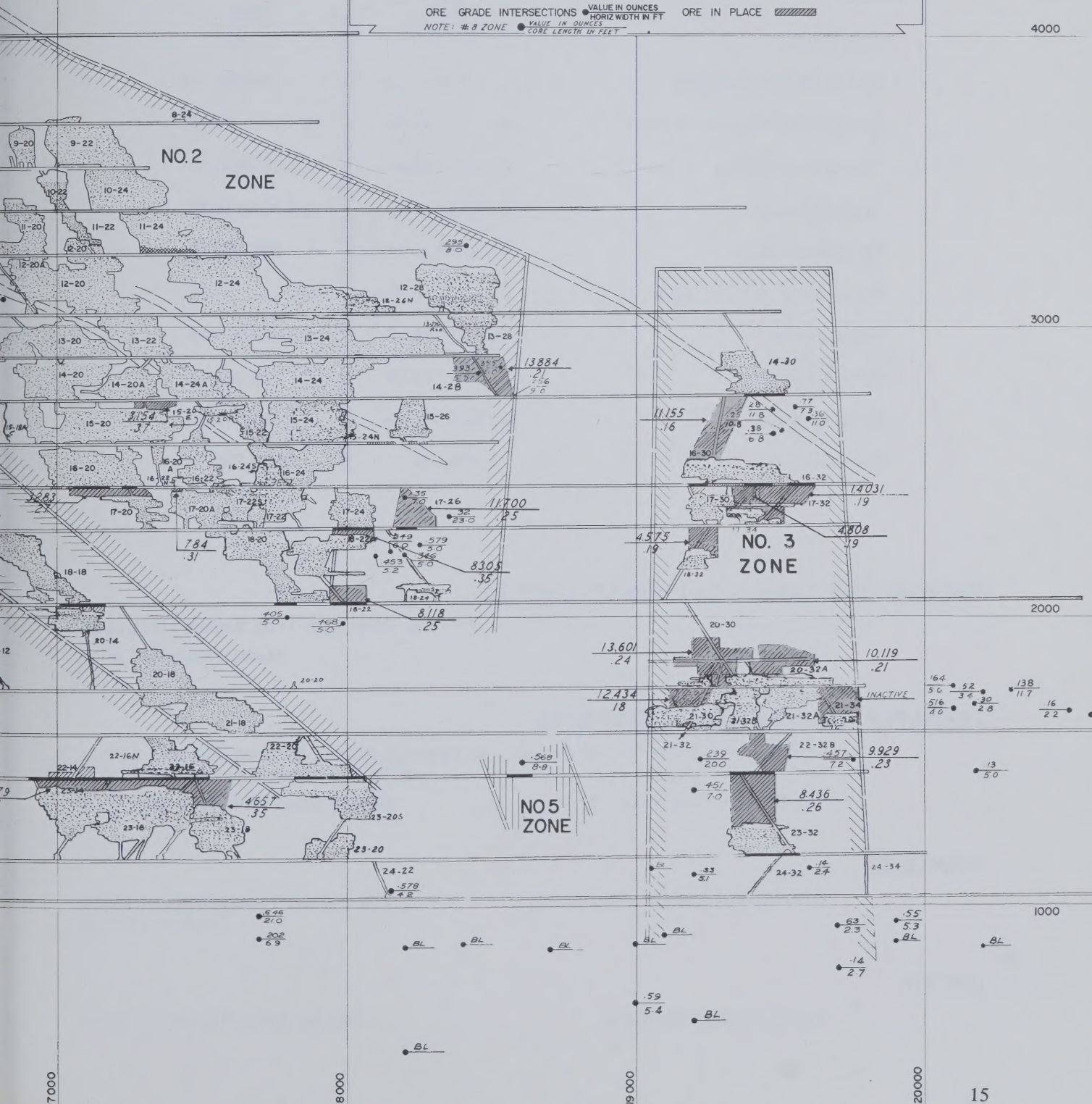
LONGITUDINAL PROJECTION
OF
UNDERGROUND WORKINGS
AND
DRILL HOLE INTERSECTIONS

SCALE 1 INCH EQUALS 200 FEET



LEGEND

ORE ON LEVELS HYDRAULIC BACKFILL ORE IN STOPES
INTERSECTIONS BELOW ORE GRADE WASTE ROCK BACKFILL LOW GRADE ORE
ORE GRADE INTERSECTIONS VALUE IN OUNCES
NOTE: # 8 ZONE VALUE IN OUNCES
CORE LENGTH IN FEET



COMPARATIVE FINANCIAL SUMMARY

	December 31	
	1970	1969
Tons milled	184,530	238,473
Ounces of gold produced	40,569.063	60,579.378
Average price of gold per ounce	\$ 36.49	\$ 37.70
Valuation of bullion	\$ 1,494,250.97	\$ 2,302,950.62
Operating costs	\$ 2,283,715.55	\$ 2,024,183.27
Net earnings (loss)	\$ (411,122.79)	\$ 305,465.59
Net earnings (loss) per share	\$ (.12)	\$.09
Current assets	\$ 2,270,038.98	\$ 2,888,915.76
Current liabilities	\$ 172,493.02	\$ 223,182.03
Working capital	\$ 2,097,545.96	\$ 2,665,733.73
Shares issued	3,499,528	3,499,528

MADSEN RED LAKE GOLD MINES, LIMITED

HEAD OFFICE.....55 Yonge Street, Suite 1110, Toronto 215, Canada.

MINE OFFICE.....Madsen, Ontario, Canada.

TRANSFER AGENTS AND REGISTRARS

GUARANTY TRUST COMPANY OF CANADA...88 University Avenue, 5th floor, Toronto 1, Canada.
427 St. James Street West, Montreal, Canada.

THE BANK OF NEW YORK.....48 Wall Street, New York 10015, N.Y.

AUDITORS

GLENDINNING, JARRETT, GOULD & CO.....P.O. Box 11, Toronto-Dominion Centre,
Toronto 1, Canada.

LISTED

TORONTO STOCK EXCHANGE.....234 Bay Street, Toronto 1, Canada.

